

Message Text

UNCLASSIFIED

PAGE 01 LAGOS 03030 031040Z

73

ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 TAR-01 FEA-01 INT-05 DODE-00

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8631

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TAGS: EFIN, NI

SUBJECT: SHAGARI BUDGET PRESS CONFERENCE

1. COMMISSIONER FOR FINANCE SHAGARI HELD HIS CUSTOMARY APRIL 11
OUSD CONFERENCE FOLLOWING
GENERAL GOWONS PRESENTATION OF THE
FISCAL 1975-6 BUDGET THE PRECEDING DAY (SEPTEL. SHAGARI
TOUCHED ON LITTLE THAT HAD NOT BEEN COVERED BY THE GENERAL
BUT DID FILL IN SOME OF THE MISSING DETAILS.

2. SHAGARI SAID THE THREEFOLD OBJECTIVES OF LOWER CUSTOMS AND
EXCISE DUTIES WAS TO FACILITATE THE IMPORTATION OF CONSUMER GOODS
IN SHORT SUPPLY: TO STABILIZE THE COST OF LOCAL PRODUCTS: AND TO
CREATE INCENTIVE FOR NEW LOCAL PRODUCTION. HE SAID THE STEEPLY
HIGHER PRICES WHICH FOLLOWED UDOJI AWARDS SHOULD MODERATE IN
COMING MONTHS THOUGH CONTINUING SOME UPWARD MOVEMENT AND HE ADDED
THAT GOVERNMENT POLICY OBJECT IS TO INSURE THAT SOME REAL
INCREASE IN PURCHASING POWER FOLLOWS THE UDOJI AWARDS. IN
ADDITION TO THE IMPORT DUTY RELIEF OUTLINED BY THE GENERAL, EXCISE
DUTY HAS BEEN ABOLISHED ON A WIDE RANGE OF
COMMODITIES INCLUDING FURNITURE, COSMETICS, AND TEXTILES.
SHAGARI ESTIMATED REVENUE LOSS TO THE FMG AS A RESULT OF
THESE CHANGES AT DOLS 65 MILLION.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LAGOS 03030 031040Z

3. THE COMMISSIONER SAID TOTAL EXPORTS IN 1974 ROSE TO DOLS 9.8 BILLION, 92 PERCENT OF WHICH CAME FROM OIL EXPORTS. HE POINTED OUT THAT THIS WAS THREE TIMES THE PREVIOUS YEARS LEVEL, BUT ADDED THAT IN VIEW OF "THE DELIBERATE REDUCTION IN THE PRODUCTION OF CRUDE OIL IN THE LAST QUARTER OF THE YEAR, AND A NOMINAL FALL IN POSTED PRICES, THE PETROLEUM SECTOR ACCELERATION IS TEMPORARILY OVER." NEVERTHELESS PRODUCTION IN 1975-6 IS EXPECTED TO BE SUFFICIENT TO MEET REVENUE AND FOREIGN EXCHANGE NEEDS. THE GOVERNMENT HAS AUTHORIZED FOR 1975-76 A FOREIGN EXCHANGE BUDGET INVOLVING AN INFLOW OF DOLS 10.6 BILLION AND AN OUTFLOW OF DOLS 8.1 BILLION (EMB COMMENT: GOWON PEGGED THE OUTFLOW AT DOLS BILLION. WE ASSUME THE COMMISSIONERS FIGURE IS THE CORRECT ONE.) IF THESE FIGURES HOLD, EXTERNAL RESERVES WILL GROW BY A FURTHER DOLS 2.5 BILLION TO DOLS 8.2 BILLION BY YEARS END. SHAGARI POINTED OUT THAT UNLIKE THE PROBABLE STANDSTILL IN THE EXPORT SECTOR, THE IMPORT BILL WILL CONTINUE TO GROW AS IMPLEMENTATION OF THE THIRD DEVELOPMENT PLAN BEGINS. HE NOTED THAT NEARLY TWO-THIRDS OF IMPORTS RECENTLY HAD BEEN IN THE FORM OF CAPITAL GOODS AND EQUIPMENT.

4. WITH REGARD TO IMPORT PAYMENTS, SHAGARI AFFIRMED THAT PAYMENT FOR IMPORTS AT SHIPMENT WILL BECOME THE RULE AND THAT REPAYMENTS ON THE BASIS OF LETTERS OF CREDIT WILL BE ALLOWED.

COMMERCIAL BANKS WILL BE ALLOWED TO KEEP WORKING BALANCES ABROAD, INITIALLY ABOUT 25 PERCENT OF ANNUAL FOREIGN EXCHANGE TURNOVER. HE NOTED THE CONTINUED APPRECIATION OF THE NAIRA VIS-A-VIS MAJOR TRADING CURRENCIES SUCH AS THE DOLLAR (PLUS 7.0 PERCENT); STERLING (PLUS 6.8 PERCENT); THE YEN (PLUS 13.7 PERCENT); AND THE LIRA (PLUS 9.6 PERCENT) AND SAID THE GOVERNMENT WOULD CONTINUE TO PURSUE AN ACTIVE EXCHANGE RATE POLICY TO REFLECT THE STRENGTH OF THE COUNTRY'S BALANCE OF PAYMENTS AND MODERATE THE DEGREE OF IMPORTED INFLATION. SHARP INCREASES IN GOVERNMENT SPENDING HAVE SUBSTANTIALLY INCREASED THE BANKING SYSTEMS LIQUIDITY, THEREBY INCREASING THE SUPPLY OF LOANABLE FUNDS. THEREFORE THE INTEREST RATE STRUCTURE IS BEING REVISED DOWNWARD, AS OUTLINED BY GOWON, WITH THE EXCEPTION THAT THE NEW DISCOUNT RATE IS TO BE 3-1/2 NOT 3 PERCENT AS HE STATED.

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PAGE 03 LAGOS 03030 031040Z

5. SHAGARI GAVE THE FOLLOWING BUDGETARY BREAKDOWN:

RECURRENT EXPENDITURES	H	DOLS MILLION
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CABINET OFFICE	25.9	
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POLICE	212.7
MINISTRY OF AGRICULTURE	66.3
MINISTRY OF DEFENCE	891.1
MINISTRY OF EDUCATION	390.2
MINISTRY OF EXTERNAL AFFAIRS	54.1
MINISTRY OF FINANCE	89.4
MINISTRY OF HEALTH	61.4
MINISTRY OF INFORMATION	50.8
MINISTRY OF INTERNAL AFFAIRS	72.0
MINISTRY OF TRANSPORT	41.7
MINISTRY OF WORKS AND HOUSING	136.0

CAPITAL EXPENDITURES DOLS MILLION

AGRICULTURE AND METEOROLOGY	279.1
LIVESTOCK	41.2
FORESTRY	13.3
FISHING	11.2
MINING AND QUARRYING	70.0
MANUFACTURING AND CRAFT	1269.2
POWER	221.5
COMMERCE AND FINANCE	260.7
LAND TRANSPORT (ROADS)	1634.8
WATER TRANSPORT	146.6
AIR TRANSPORT	167.0
COMMUNICATIONS	527.0
EDUCATION	753.1
HEALTH	76.6
INFORMATION	131.6
LABOUR	9.5
SOCIAL WELFARE AND SPORTS	13.3
WATER SUPPLY	24.4
SEWAGE, DRAINAGE AND REFUSE DISPOSAL	19.0
HOUSING	688.6
UNCLASSIFIED	

UNCLASSIFIED

PAGE 04 LAGOS 03030 031040Z

TOWN AND COUNTRY PLANNING	57.1
COOPERATIVE AND COM. DEVELOPMENT	1.2
PRISONS	47.6
POLICE	125.8
DEFENCE	1200.0
GENERAL ADMINISTRATION	215.5

6. FULL TEXT OF STATEMENT WILL BE AIR POUCHED.
CROSBY

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NNN

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*** Current Classification *** UNCLASSIFIED

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